

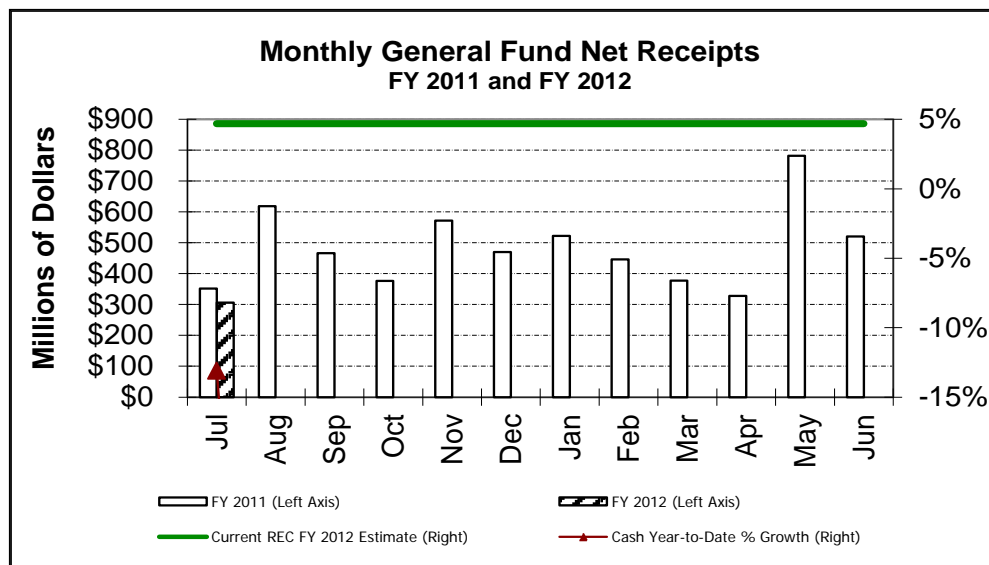
TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: August 1, 2011

Monthly General Fund Receipts through July 31, 2011

The attached spreadsheet presents FY 2012 General Fund total net receipts with comparable figures for actual FY 2011. The figures can be compared to the FY 2012 estimate of \$6.122 billion set by the Revenue Estimating Conference (REC) on March 25, 2011. The FY 2012 estimate is an increase of \$274.3 million (4.7%) compared to actual FY 2011 total net receipts (excludes transfers). The next REC meeting has not been scheduled.



Overview of Current Situation

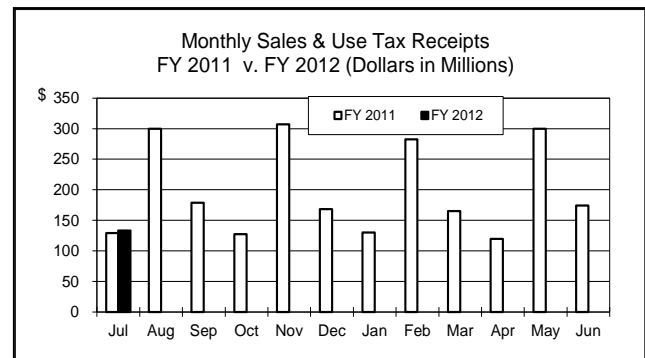
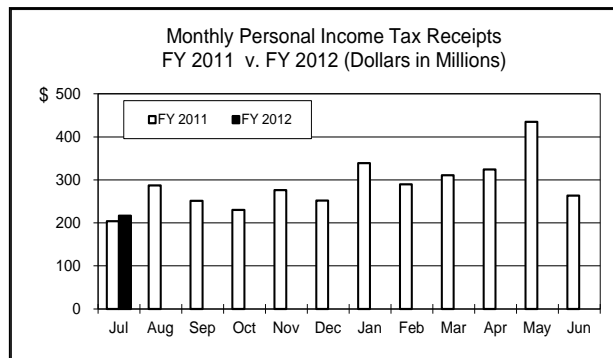
July 2011 net General Fund revenue was \$46.1 million below (-13.1%) the July 2010 revenue level. The FY 2012 net General Fund revenues will be negatively impacted by an accounting change that requires the first \$106.0 million of cigarette and tobacco tax revenue to be deposited in the Health Care Trust Fund (HCTF). This change negatively impacted net General Fund receipts by \$15.2 million in July. Not including the cigarette/tobacco tax issue, net General Fund receipts on a cash basis were down 8.8% in July. Additionally, total tax refunds were \$29.0 million higher this July compared to a year ago. A majority of the difference is due to large corporate income tax refunds, a portion of which is due to tax credits being claimed earlier than last year.

Major sources of tax revenue and their contribution to the July FY 2012 change include:

- Personal income tax (positive \$13.1 million, 6.4%)
- Sales/use tax (positive \$3.7 million, 2.9%)
- Corporate tax (negative \$1.7 million, - 6.9%)
- Other taxes (negative \$16.0 million, - 53.2%)
- Other receipts (negative \$9.8 million, - 35.6%)
- Tax refunds not including school infrastructure refunds (negative \$29.0 million)
- School infrastructure sales/use tax refunds (negative \$6.5 million)

Personal Income Tax revenue received in July totaled \$216.9 million, an increase of \$13.1 million (6.4%) compared to July 2010.

The FY 2012 REC income tax estimate of \$3.615 billion represents a projected increase of 4.4% compared to actual FY 2011. By subcategory, withholding payments increased by \$12.1 million (6.9%), estimate payments increased \$0.5 million (2.0%), and payments with returns increased by \$0.5 million (8.8%). The following chart compares FY 2012 monthly income tax receipts from the three personal income tax subcategories with FY 2011.



Sales/Use Tax receipts received in July totaled \$133.0 million, an increase of \$3.7 million (2.9%) compared to July 2010.

The REC estimate for FY 2012 sales/use tax receipts is \$2.470 billion, an increase of 3.7% compared to actual FY 2011. The preceding chart compares FY 2012 monthly sales/use tax receipts with FY 2011.

Corporate Tax receipts received in July totaled \$23.0 million, a decrease of \$1.7 million (- 6.9%) compared to July 2010.

The REC estimate for FY 2012 corporate tax revenue is \$432.1 million, an increase of 9.5% compared to actual FY 2011.

Other tax receipts received in July totaled \$14.1 million, a decrease of \$16.0 million (- 53.2%) compared to July 2010. Other tax receipts will be negatively impacted in FY 2012 due to the cigarette/tobacco tax accounting issue noted previously.

The REC estimate (not including an adjustment for cigarette and tobacco taxes) for FY 2012 other tax revenue is \$456.2 million, an increase of 3.1% compared to actual FY 2011.

Other receipts (non-tax receipts) received in July totaled \$17.7 million, a decrease of \$9.8 million (- 35.6%) compared to July 2010. Liquor receipts (\$ -5.1 million) and miscellaneous receipts

(\$ -4.1 million) accounted for \$9.2 million of the decrease.

The REC estimate for FY 2012 other receipts revenue is \$373.9 million, an increase of 10.5% compared to actual FY 2011.

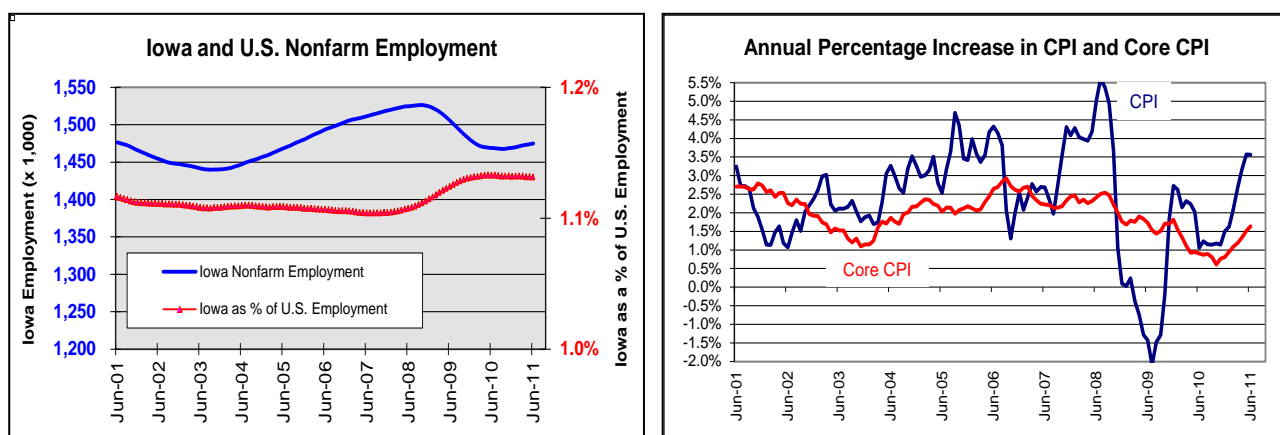
Tax Refunds issued in July totaled \$46.9 million, an increase of \$29.0 million (162.0%) compared to July 2010. In addition, school infrastructure refunds totaled \$52.0 million in July, an increase of \$6.5 million compared to July 2010.

Status of the Economy

Iowa non-farm employment was reported at 1,498,400 for the month of June (not seasonally adjusted), 10,700 higher (0.7%) than June 2010.

Iowa's 12-month average employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession (January 2001). The current 12-month average reading is now 1,475,000, resulting in an annual average Iowa nonfarm employment level 51,400 below the October 2008 peak and 3,700 below the January 2001 peak.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Since that time, the overall percentage has decreased nine times in the past twelve months.



The Consumer Price Index (CPI-U) through June 2011 was 225.7 (1983/84=100). Consumer prices decreased 0.1% in June (not seasonally adjusted) and the annual rate of inflation remains at 3.6% for the second consecutive month.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.2% in June and totals 1.6% year-over-year. Since the start of the last recession, the annual core inflation rate has been low and has remained below 2.0% since December 2008, but has increased each of the last nine months. For the two components excluded from the core rate, energy prices are up 20.1% year-over-year while food prices are up 3.6%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2011 vs. FY 2012 July 1 through July 31 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 11 Actual Compared to FY 12 REC Estimate		
	FY 2011	FY 2012	Year to Date % Change	July % Change	Actual FY 2011	Estimate FY 2012	Projected % Change
Personal Income Tax	\$ 203.8	\$ 216.9	6.4%	6.4%	\$ 3,461.7	\$ 3,615.0	4.4%
Sales/Use Tax	129.3	133.0	2.9%	2.9%	2,381.4	2,470.0	3.7%
Corporate Income Tax	24.7	23.0	-6.9%	-6.9%	394.5	432.1	9.5%
Inheritance Tax	6.6	5.1	-22.7%	-22.7%	66.4	72.1	8.6%
Insurance Premium Tax	1.5	1.0	-33.3%	-33.3%	97.1	100.3	3.3%
Cigarette Tax***	15.9	0.0	-100.0%	-100.0%	200.1	200.4	0.1%
Tobacco Tax**	3.1	2.5	-19.4%	-19.4%	27.2	28.0	2.9%
Beer Tax	1.5	1.4	-6.7%	-6.7%	14.3	14.4	0.7%
Franchise Tax	1.5	4.1	173.3%	173.3%	36.3	40.0	10.2%
Miscellaneous Tax	0.0	0.0	0.0%	0.0%	1.0	1.0	0.0%
Total Gross Taxes	\$ 387.9	\$ 387.1	-0.2%	-0.2%	\$ 6,680.1	\$ 6,973.3	4.4%
Institutional Payments	0.8	1.7	112.5%	112.5%	10.0	14.9	49.0%
Liquor Profits	7.6	2.5	-67.1%	-67.1%	89.3	85.4	-4.4%
Interest	0.2	0.2	0.0%	0.0%	3.0	2.0	-33.3%
Fees	2.3	1.8	-21.7%	-21.7%	30.1	66.8	121.9%
Judicial Revenue	10.5	9.5	-9.5%	-9.5%	101.5	112.0	10.3%
Miscellaneous Receipts	6.1	2.0	-67.2%	-67.2%	38.4	26.8	-30.2%
Racing and Gaming Receipts	0.0	0.0	0.0%	0.0%	66.0	66.0	0.0%
TOTAL GROSS RECEIPTS	\$ 415.4	\$ 404.8	-2.6%	-2.6%	\$ 7,018.5	\$ 7,347.2	4.7%
Accrued Revenue-Net*					13.9	17.0	
Tax Refunds**	-17.9	-46.9	162.0%	162.0%	-811.1	-831.0	2.5%
School Infrast. Refunds**	-45.5	-52.0	14.3%	14.3%	-374.0	-411.6	10.1%
TOTAL NET RECEIPTS	\$ 352.0	\$ 305.8	-13.1%	-13.1%	\$ 5,847.3	\$ 6,121.6	4.7%

* The FY 2011 "Accrued Revenue-Net" is currently estimated.

** For FY 2011 and FY 2012 Year-to-Date columns, refunds are presented on a cash basis. For FY 2011 Actual and FY 2012 Estimate, refunds are presented on a fiscal year basis.

*** Beginning in FY 2012, the first \$106.0 million in cigarette and tobacco tax revenue will be deposited in the Health Care Trust Fund (HCTF) instead of the General Fund. The REC estimate has not been modified to reflect that adjustment or any other law changes that were enacted since the last REC.